

Approved For Release 2003/07/30 : CIA-RDP78-01617A005800030046-2



Army, DIA, OSD and State Department
review(s) completed.

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GENERAL

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1. US Government documents found in Jewish Agency files--US Consul Jerusalem reports that the British military have discovered in Jewish Agency files [redacted] six US Government documents, including a copy of a top secret military intelligence report of January 1946 on Middle East oil and copies of letters bearing on solutions of the Jewish problem in Europe and Palestine. The Consul comments that the British are surprised "there was so little, in view of the known widespread activity of Jewish agents," and adds that considerable Egyptian material also was found in the files.
2. Portuguese offer counter-proposals on Azores bases--Culbertson reports that the Portuguese have rejected US proposals for bases in the Azores and have presented in outline counter-proposals for a five-year agreement, but excluding joint operation of the bases. Culbertson comments that the Portuguese "obviously want to keep the door open" but adds his personal doubt that the US can effect a satisfactory modification of the Portuguese proposal.
3. Afghan-Iranian disagreement over river project--In commenting on information that Iran is anxious about the projected diversion of the Helmand River (which flows from Afghanistan into the Helmand Swamp area in eastern Iran), US Legation Kabul reports that the Afghan Government is prepared to submit the matter to arbitration if "mutual agreement on a realistic basis" is impossible. Afghanistan would prefer arbitration by US experts but foresees possible Iranian preference for Soviet arbitration. The Legation believes that, in view of its fear of the USSR, the Afghan Government would urge arbitration by "Swiss or other disinterested experts, even at the risk of irritating the USSR."
4. Franco-Polish trade agreement--Caffery reports that France and Poland have concluded a trade agreement, according to which Poland is to deliver to France 100,000 tons of coal per month. Caffery considers that implementation of the agreement by Poland will be difficult, since coal deliveries will depend upon many unknown factors, particularly on rehabilitation of the Polish mines and the acquisition of new rolling stock. The latter will presumably hinge on Polish credit negotiations with the Export-Import Bank.

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Document No. 046
NO CHANGE in Class. ☐
☐ DECLASSIFIED
Class. CHANGED TO: TS S (C)
DDA Memo, 4 Apr 77
Auth: DDA REG-77/1763
Date: 16 MAR 1978 By: [redacted]

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EUROPE-AFRICA

5. **USSR: Reported 20-year plan for westward expansion**--US Military Attache London quotes the "casual" remark of a high British civil servant that information from British Zone Germany indicates that the USSR has prepared a 20-year plan providing, successively, for industrial development of the Western USSR, complete communization of Western Europe, including Britain, and a highly organized trade war against the American continent.
6. **VENEZIA GIULIA: Yugoslavs increase troops in Trieste area**--XIII Corps has informed Allied Force HQ at Caserta that Yugoslav troops have been "considerably increased" in the vicinity of Trieste within the proposed international state. XIII Corps believes that the Yugoslavs may be preparing to compel local demonstrations against the proposed Trieste settlement and to suppress possible expressions of anti-Yugoslav feeling.
7. **ALBANIA: British ships to return fire**--US Charge Gallman reports that the British Foreign Office has informed the Albanian Government that in the future British ships will transit Corfu Channel at will and, if fired upon, will return fire.
8. **BULGARIA: Compulsory labor for opposition elements**--US Political Representative in Sofia and General Robertson, US Representative ACC Bulgaria, report that the Bulgarian Government has authorized a six-month mobilization for compulsory labor of all persons not engaged in "useful social activity." Such persons will be "educated" and may be mobilized for additional periods until "they improve." Robertson comments that the measure is directed against opponents of the present Communist-dominated regime and particularly against the "fascist" well-to-do group.
9. **SPAIN: "Government"-in-exile optimistic**--According to Embassy Paris, there has recently been a noticeable (though unexplained) increase in optimism within the Spanish Republican "Government"-in-exile.
10. **GREECE: Leftists avoid Government forces**--US Military Attache Athens reports that the leftist bands in north central Greece have temporarily dispersed to avoid any major clash with Government military forces [redacted] The Government is arresting all individual Communists who cannot produce the proper personal documents.

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11. **IRAN: Comments on British reinforcement of Basra**--British Ambassador Lerougetel has informed Allen that the current reinforcement of Basra by a brigade of Indian Army troops was in response to his report to London that British service troops previously at Basra were "entirely inadequate for the active operations which might become necessary." Lerougetel considers the Iranian reaction "as mild as could be expected." Allen regards the troop movement as unfortunate in that it gives the impression of the use of force, weakens Qavam's position, and may encourage Soviet reinforcement of the Azerbaijan frontier.

Rift widens between Qavam and Tudeh parties--Allen believes that a recent street clash between members of Qavam's Democrat Party and Tudeh Party members appears to indicate a growing cleavage between the two parties as well as a tendency for both groups to get out of hand.

US authorizes extension of gendarmerie mission--The State Department has authorized Allen to notify the Iranian Government that the US is willing to renew the Schwarzkopf gendarmerie mission for two years, as requested by Iran

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FAR EAST

12. **CHINA: Democratic League weakens**--US Embassy Nanking reports that the recent Kunming assassinations have demoralized League members and have revealed the weakness of the Democratic League as a political party and as a cohesive factor in China's internal politics. Most League leaders, faced with the alternatives of recanting, going abroad, or joining the Communists, probably will recant, and others may be expected to seek exile. The Government may offer remaining League members positions in a reorganized regime without Communist participation, and thereby probably effectively eliminate liberal opposition to Kuomintang policies.
13. **INDIA: Viceroy to urge Congress concessions**--US Mission New Delhi has been confidentially informed that, before the Congress Working Committee meets on 8 August, the Viceroy will ask the Congress to form an interim government and to make the Moslem League an offer sufficiently generous to bring it into the government.

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14. JAPAN: Diplomatic status of Allied Council--US Political Advisor Atcheson has expressed approval of granting diplomatic status to members of the Allied Council and their staffs, but proposes, in view of the Soviet member's staff of approximately 500 "largely military personnel," to restrict the issuance of diplomatic cards to the principal civilian members of the Council's staff.
15. JAPAN: Repatriation from Southeast Asia--General MacArthur, in line with his aim to complete the repatriation of all Japanese by the end of 1946 [redacted] has requested the Senior Allied Commander, Southeast Asia, to furnish him the plan whereby the 120,000 Japanese understood to be in Southeast Asia are to be evacuated.

THE AMERICAS

16. BOLIVIA: US plans recognition--The State Department has advised Embassy La Paz that it feels US recognition of the new Bolivian Government should not be further deferred.
- Villarroel's regime corrupt--According to US Military Attache La Paz, the Villarroel government stole practically all of the country's funds, marking it as the most dishonest government in Bolivian history.
17. PERU: "Incident" threatens new base agreement--US Ambassador Cooper reports that negotiations for a new agreement providing for joint use of the Talara airbase have been seriously prejudiced by a brawl involving US Army personnel and Peruvian naval officers. The Peruvian Minister of Defense was asked in the Senate to explain "what benefit Peru derived from continued occupation of the base by a foreign army."

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